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Trade and a League of Nations or Economic Internationalism

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SOME years ago there was an outbreak of typhoid fever in a Pennsylvania town. The hospitals quickly filled with patients, and still they came. Nurses assembled and gave to the afflicted the usual care, including ice bags on their heads, but still new cases came, and panic seized the place. Finally a sanitarian went up-stream and mended a broken pipe which had been discharging germ-laden sewage into the town water supply. The epidemic ended. Its cause had been removed.

The Hague conferences may be likened to parties of nurses with ice bags trying to allay a fever whose cause they did not touch. This is no impeachment of the great and able men who worked so hard in these conferences. The causes of war lie deeper than broken water pipes, and in the stage in which the world then found itself, the various jealous, rival governments would not let the Hague conferences touch war causes. For this reason they failed to touch the problem, as the Great War has shown so cruelly.

The present League of Nations will be no more effective in preventing future war than were these Hague conferences unless it takes steps to remove the temptation to war. Man says he is a thinking animal, but he does not think much. His feelings make him act as often as his thoughts, perhaps oftener. If things keep happening that provoke the war spirit and people are made to think war, its terrible teeth will again crunch us, despite any League of Nations formed at this time. The *spirit* of men during the next twenty-five years decides the fate of any League of Nations. The league must remove some of the causes of war. Unfortunately it cannot remove them all.

The causes of war may be condensed to three:

1. Property—the desire of actual material possessions—lands, colonies, concessions, markets, trade.
2. Preferment—the love of dominion—the sense of greatness and power, the thing which makes men strive for honors and place, the thing to which the writer

of the allegory of the Garden of Eden referred when he had Jehovah give to Adam and Eve *dominion* over everything in the Garden as well as *possession* of all the property.

3. Group Consciousness—the desire for our own particularism and the desire to keep it and spread it, because man is generally sure that his things are best. The Americans wish to continue to be Americans; the English, the French, the Germans, the Japanese, the Hottentots, and all other peoples share this same feeling with regard to their culture (kultur). Moreover, each of them thinks other peoples should accept its viewpoint, institutions and customs.

These three, the desire of possession, the desire of dominion, the desire for our own particularism and the desire to spread it, have repeatedly cursed the earth and given to it the high spots of history, at least the high spots of history as we have taught it for a few decades—the fall of Nebuchadnezzar, the outbreak of the Greeks under Alexander, the creation of the Roman Empire, its crushing by waves of Goths, Vandals and Huns, the Saracen sweep, the arrival of the Turk in Eastern Europe, the conquests of Prussia in Central Europe, and perhaps greatest of all, the brushing aside of the Indian by the European races that took America for their home. The most recent of this series was the attempted world domination by Germany.

Most of the world's wars had been smaller in effort and result than the great world upheavals above mentioned, but it is the same three forces that have made them kill the man, burn his home and carry his children away as slaves.

We must not for a moment forget that these war forces are parts of permanent and enduring human nature, like the instinct to eat and to possess individual property. The question is—can society be organized in such a way that these rational appetites can function normally in the world society as the personal appetites for food and property function normally in an ordered community, while they are so destructive in an unordered community? It seems plain that we must remove some of the provoking conditions. Otherwise, these appetites, repressed too much, will again take maddened humanity on the spree that has been its misfortune in so many past times.

How can we reduce these temptations to war? This article deals with the economic causes of war, group one above mentioned. How do these causes present themselves as specific problems? They may be classified as follows:

- A. Interference with the trade of other nations through transit restrictions.
- B. The exclusion of people who wish to emigrate.
- C. Concessions for foreign investment.
- D. Interference with trade by tariffs.
- E. Most favored nation clauses.

A. TRANSIT TRADE

The principle of self-determination of peoples and the admission of respectable peoples into the family of nations carries with it the right of access to the public road, just as any citizen anywhere in the United States has right-of-way, after reasonable payment, over any other man's land to the public road. Thus, any inland nationality has the right of untaxed access to the public road of the world, the sea, the highway of the nations.

This is simple. A League of Nations should in its inception be able to remove this cause. There is no good reason why the Dutch should impede, by tax or any other restriction, the free access of ships to the great Belgian port of Antwerp because, by one of the accidents of an age of brigandage which we hope is passing, a little corner of Holland reaches across the river Scheldt, the outlet of Antwerp. The nation that wishes to tax the trade of any other nation whose trade must pass that way is suffering the temptation of the highwayman, and should have no more right to that kind of revenue than the highwayman has to his revenue.

We have a most happy illustration of the proper working of this matter of access in the trade of the United States and Canada, which alternately flows from both countries, down the St. Lawrence in summer, and through the ports of New York, Boston and other Atlantic cities in the winter. We have, indeed, a keen and wholesome rivalry, the United States spending a hundred million dollars to make an Erie Canal that would tempt the Canadian trade to New York, while Canada builds canals to tempt American trade to Montreal. Similarly Germany should be served, by two rivals striving to serve her cheaply and effectively: Holland with her port of Amsterdam, Belgium with her port of Antwerp and her canals reaching to the Rhine.

The trouble in connection with this matter of the trade is that it has been tangled up with its abuses; namely, transit dues or their possibility, and the preparation for war. A peaceful Germany has no more to fear from the transit of her trade through

Holland and Belgium than we have to fear in the transit of our millions of dollars' worth of trade every summer down the St. Lawrence.

B. EXCLUSION OF PEOPLES

This is almost like driving people out of a region. It is the greatest menace, the fundamental land question, the temptation to war which we can only hope to mitigate. We cannot hope to end it. Land hunger is the greatest of all causes of war and it will continue as long as some peoples have much more land per person than others. In June, 1914, Isaiah Bowman, Professor of Geography in Yale, pointed out to a class studying the geography of Europe that the population on the French side of the Franco-German boundary was small and stationary, that the population on the German side of it was large and growing, and "as sure as you live, there will be war across that boundary some day from the sheer breaking of the human dam on the populous side of the line." Dr. Bowman was not speaking as a student of politics. He was speaking as a student of geography and of human nature, and he was speaking of a temptation to war which the League of Nations makes no pretense at removing. Instead, the League of Nations, in the very essence of its task, hopes rather to fasten this temptation continually upon us. Every nation is to have its home, the chance to develop its own dear particularism. There shall be China for the Chinese, Poland for the Poles, England for the English, Armenia for the Armenians, Japan for the Japanese, Australia for Australians, America for the Americans. Herein lies the dynamite. The best we can hope to do is to keep fire away from it. It is dynamite, and it will be dynamite for indefinite generations, as long indeed as one people has much greater opportunity per man in its territory than a neighboring people has. At the present time any people in the world has become a "neighboring people."

Taking a long view, we may perhaps say that the greatest menace to permanent world peace lies on the Pacific, where we see the love of racial particularism causing the white peoples of the United States, British Columbia and Australia to exclude the Chinese. This is done for the most natural of reasons. With their great numbers, their simpler standard of living, their low wages, their

terrible diligence, the Chinese have shown that they can come to California and buy the whole of it, convert it into an outpost of Mongolia which may spread no one knows how far. The American society cannot stand side by side with the Chinese any more than Indian society could stand side by side with the eighteenth century colonist. So we stop the Chinese—while they are weak, in the military sense.

The thing that has smashed up the world repeatedly from Nebuchadnezzar to William II is still with us—land hunger, and it probably can be sharper across that narrowing Pacific with those hundreds of millions of hungry Chinese crowding their land to the water's edge, and those mere handfuls of white men in Australia, British Columbia, and California with more land by far than they can use even on Western standards, almost a kingdom apiece, and still keeping the Chinaman out. And the very essence of racial individuality is that California shall be for the Californians, Australia for the Australians, British Columbia for the British Columbians, and the Chinese all piled up and no place to go.

The tendency toward avalanche is stronger here than it was across the German boundary, but the Chinaman is not at present organized, trained, disciplined in war, taught by generations of war talk, or tempted by the lust of world dominion. Due solely to our interference with him, he is making a good start in the development of the Western military system, and we must decide whether we are going to make him keep on by imposing on him because he is unorganized. Perhaps he must continue to prepare for war because of the fundamental land hunger. Perhaps he can be content to stay at home with his hunger for the ownership of these lands if he can get their produce through free and unrestricted international trade, and through free, equal and safe opportunities to invest in their undeveloped resources.

C. CONCESSIONS FOR FOREIGN INVESTMENT

Many economists say that the real, deep, underlying cause of the recent great war was the struggle for concessions, for the privilege of foreign investment. They say that England and Germany had developed their own home resources quite fully, that they had surplus capital and they were ready for more fields to develop, provided higher interest rates could be secured, and

that here was the real cause of the rivalry that finally produced the explosion.

The well-known rivalry of the powers, particularly England and Germany, for the privilege of developing railroads, mines, irrigation works and other enterprises between Constantinople, Bagdad and the Persian Gulf is a very well-known sore point in history, and is a good example pointing to the force of the factor as a war maker. It is a kind of corollary to the land hunger idea—really a modernized form of it. Through the stocks of a corporation we bring the profits of the foreign land home to ourselves. Thus we may own it as property (economically) without the necessity of owning it as a government (politically), although the concession process is a common way of colony making. The concession for foreign investment is one of the things which the League of Nations must control if it expects to endure.

During the present administration our State Department has set two splendid examples for the management of this question. In 1913 the financiers of six nations, five European and the United States, arranged a so-called six-power loan to China for the building of railroads and the development of other industries. Our State Department at Washington examined the conditions of this loan and told the American financiers who proposed to advance the money that they would not help them out of any difficulties with the Chinese government arising from this contract, because the administration thought the conditions of the loan too hard; in other words, that they were not fair, that they were dishonorable; that we, the government, would not be a party to it. The American financial interests were very indignant and said many hard things about the government, but they did not take a part in the loan.

In 1918 another group of American financiers brought to the State Department another financial agreement with Chinese interests. This agreement was carefully examined by the State Department, which gave its O. K. The loan was made. The idea is that the assistance of the government can be the more certainly expected in case the Chinese treat the investors in a way that they think is not fair.

We may call this a case of high class dollar-diplomacy. The name, dollar-diplomacy, has for some time been given to foreign

relations in which the diplomatic side of a government aided the investing and business enterprises of its citizens abroad, rather than leaving those matters entirely with the governments and peoples of the foreign countries. There are many good reasons why the dollar-diplomacy must in some way continue. There are even more good reasons why it must be subject to control by some set of rules made by persons with a sense of justice rather than a sense of greed. The foreign concession today is one of the greatest opportunities open to man for the exercise of greed with little check. There is almost no limit to the concessions that a group of promoters could get from a so-called government in Siam, Haiti, Nicaragua, or Venezuela. In Haiti they have often had two or three revolutions a year, with two or three different adventurers in charge of the government for a few months. The record of these men would usually make them criminals in the United States or any European country. Some of these cutthroats, with all the machinery and sanctity of a fully established government, could issue concessions involving the ownership of lands, the development of mines, the monopoly of street railways, water works, gas works, the whole list of so-called public service enterprises. He could take his first payment (or his bribe money) and flee, and live abroad in comfort the rest of his days as many have done, leaving behind him a contract in the name of government which, if backed by the warships of the nation whose subjects got the concession from the cutthroat, might be worth ten or a hundred million dollars, and make semi-slavery for generations of men.

These opportunities will continue. The Monroe Doctrine will probably leave tropic America nominally free, so that for a long time wonderful concessions may be secured under conditions that bear some unfortunate resemblance to those just described as possibly occurring in Haiti.

We are entering on a new epoch, the epoch of syndicated exploitation, which is about to succeed the era of merely corporate exploitation of resources. Strong groups of capitalists in England, France, Germany and the United States are organizing for the export trade and for foreign investment in a way that promises to be almost imperial in its power. Our congress recently passed the Webb-Pomerene bill which deliberately authorizes Americans

to form organizations, to do abroad in the foreign trade things which we have forbidden at home, because we do not think them proper and fair here. To match this, the European export organizations are of a scope and power never before seen.

We can almost think of them as little nations, except that they are international in their field of operation and are strangely potent in their equipment to stir up trouble between the nations. Look for a moment at one of these combinations. In its many associated corporations it represents steel mills and several kinds of factories, railroads, an export firm, a dock company, a warehouse company, a steamship line, and in countries beyond the Equator, import warehouses, import companies in several different ports, a great series of banking houses, cattle ranches, lumber companies. To make profit on the whole, it may easily operate some of its branches at a loss. It may do banking under such favorable terms that no other bank can be established except that it too shall be operated at a loss; the steamship line may be operated at a loss to keep out other steamship lines; yet the whole is making profit. Altogether it may be considered as a wonderful example of coöperation on its operative side, but an amazing engine of competition when it comes into strife for the possession of markets, franchises, and land concessions abroad.

The old East India Company seems to be coming back to life with three-fold power. This company used to monopolize the trade of kingdoms. It also governed and made war. It was indeed a kind of commercial-military-empire company. These new foreign trade and exploitation syndicates will control far more actual resources than the old East India Company. This does not look toward peace. This is the strong navy party. They want it to back up their claims when they come into conflict with rivals or so-called governments abroad. The morning papers of this, the 31st of March, report conspicuously a splendid example. The Mexican government admits granting to certain Japanese interests a large tract of land in lower California. For many years the same tract of land had been owned by a group of American capitalists, but the Mexican government claims that their concession ended in 1917. Perhaps the Mexican government was guilty of confiscation in the ending of that concession in 1917, perhaps it was not. Perhaps the American capitalists who

originally got the concession were guilty of real violation of good business ethics, perhaps they were not. Perhaps the Japanese who got the concession were guilty of the violation of good business ethics, perhaps they were not. But in any case, the situation is one in which we can easily see the possibility of three kinds of trouble:

First, between the United States and Mexico.

Second, between Japan and Mexico.

Third, between the United States and Japan.

If the American capitalists who may claim that their land was confiscated are to get any justice, they must under present conditions get it from the Mexican people, through the Mexican government, with the aid of the United States government. It is perfectly natural that they should be a strong navy party, a strong foreign policy party, quite natural also is the claim that foreign capitalists operate both governments and revolutions in weak countries. We must remove the settlement of this kind of claims from the national field to the League of Nations. We cannot risk a recurrence every three months of such causes of friction, particularly when we consider the size and power of manufacturing-export-investment organizations as they will probably be operating ten, twenty or thirty years hence, when the stupendous plans of the present have been worked out to use the appalling machinery with which man has strengthened his hand.

This is peculiarly dangerous because we must not forget that some one controls even in a democracy. The control of government policy goes most naturally to those groups that can most easily organize. The manufacturers, the traders, the financiers, are the natural masters of this art. This means a growing national policy for "safe" foreign markets, best secured of course in countries which "we control."

The mandatory idea in the League of Nations has great possibilities here. Under the mandatory idea, Australia, acting as the agent of the League of Nations, may govern what has been German New Guinea, leaving its trade, commerce and investment opportunities equally open to all the peoples of the world. The idea needs to be carried further. The League of Nations should control and protect international investments. If the citizens of England felt that they had a grievance against a dictator in Haiti,

who after having won a successful civil war, proceeded to demand forced loans from the railway company above mentioned, as they have a habit of doing, the old system was for the British (French, German, etc.), wherever they could do it, to send in their warships, bombard, blockade, or take other such steps as were necessary to bring what they, the intervening government, thought was a fair settlement. By this means have all empires grown, because governments found themselves at the end of such interventions with their hands on land which they have not yet seen fit to let go.

It would be much better if the League of Nations' Court of Claims should hear the case with a speed resembling a police court, pass its opinion, and have it enforced by the League of Nations, either directly or through a mandatory. Nothing need be done more than boycott the offending country by all the countries of the world. No military power whatever would be necessary. Not a shot need be fired, but the Haitian dictator would of necessity mete out fair treatment to the foreign concessionaires—and what is of equal importance, the foreign concessionaires would also treat the Haitians fairly.

Such a policy on the part of the League of Nations would almost certainly mean that the League must prescribe conditions governing concessions between the people of one country and those of another. Concessions would doubtless be examined by the league just as the Chinese concessions of 1913 and 1918 were examined by the American State Department, and approval given or withheld. If the approval was not given, the support of the league could not be had, and the dictators of Haiti would in all probability feel themselves free to make exactions, so that in a short time we might expect all international concessions to be registered with the League of Nations before anyone would be willing to risk money back of such an investment.

If the League of Nations is able to do anything, it seems reasonable to think it could do this with ease and thus remove two things: the temptations of the big nations to make war on the little nations; and second, reduce the rivalries between the big nations and thus greatly reduce the desire for war. It would be maintaining a real open-door policy.

With such a policy removing land monopoly, we would enter upon a new period of plenty. As a matter of fact, the resources of

the world have scarcely been touched. This is especially true of the tropics, the largest of the zones, and there is enough of untilled land, undug mineral, uncut forest, uncropped pasture, to absorb the capital of Europe and America for many decades to come, and to build up a trade many times as great as that of the present, with large exports, and still richer imports, for all.

This offers great opportunity for quick increase in wealth and comfort in the temperate zone. The trouble with tropical development in the past has been, in addition to the climate, the lack of law and order which made two things: first, an extortionate exploitation in some cases, and a great insecurity in others. The above mentioned plan of insuring foreign investments against the chance of international friction will also do much to increase their financial security. These advantages in combination with open markets in the temperate zone, will give us a surprising increase in our much prized tropical produce, such as chocolate, rubber, sugar, spices, meat, bananas, tapioca, sago, and the many other desirable products of which a developed torrid zone might produce such stupendous quantities—enough for us all.

D. INTERFERENCE WITH TRADE BY TARIFFS

Free trade or war! That is a choice that faces the world sooner or later. We must of course go on as we are for a time, and changes must be made gradually, by evolution rather than revolution. If we insist in keeping out the persons of those who wish to emigrate, the avalanche *may* break, despite any alternative that one people can offer to another. If we insist on keeping out their goods as well as their persons, it is safe to say that the avalanche *will* break and again pour war over the world—a worse war ten times over than the last one. It is quite possible that a future war may take the form of the extermination of peoples by the gassing out of millions—clearing the land ready for the conquerors—Armenian massacres done more scientifically.

With land hunger permanently clamped upon us, we cannot expect fifteen or twenty strong, energetic and growing peoples to stay permanently at peace if such episodes as the following continually occur to raise friction, and make people wish to own a neighboring country so that they may trade with it. For ten years the United States freely imported Canadian produce, then

suddenly enacted a tariff that almost prohibited it. Mills closed, people lost their jobs, villages and towns declined. How did Canada feel? She felt sore, as did Germany when our McKinley tariff shut off her exports to this country. The Germans of course knew that if they had owned the United States their prosperity would not have been disturbed. Nations cannot keep on making each other think such thoughts and also keep the peace.

If we cannot win international free trade at a reasonably early date, we should give up the League of Nations idea and prepare for the continuation of wars in the future as one of the plagues of the earth, as past generations have looked forward to them.

1. FREE TRADE, LOCAL MINDEDNESS AND NATIONAL WEALTH. Every political economy proves that international free trade is the surest way for the people of the earth to enrich themselves. Yet the manufacturers of every country want a protective tariff, and almost every nation of the world has this policy in greater or less form. Why is this piece of truth, accepted by nearly all thoughtful men, contradicted by a world-loved practice of nearly all business men? There are three reasons: one is a mistake in theory, another a difference in point of view, and the third our inherent love of special favors.

The manufacturer who wants a tariff, wants it for his produce only, although he may adopt the plunder-bund idea and help others get it so that they may all have it. In its essence, however, the tariff is a local question, a kind of personal question—a clear financial advantage to the group favored by the tariff. On the contrary, free trade is a *national* question. Men think of themselves personally first and nationally last, if at all. If he thinks of *his industry*, a tariff is profitable to him. To anyone who will take the trouble to think nationally rather than locally, free trade can be seen to be an advantage. One of the difficulties in thinking nationally on matters of trade seems to arise from a peculiar inability on the part of the average mind to see the simple fact that trade consists in the exchange of goods. That statement seems so simple that we should expect every child to believe it, but the fact is that almost no nation believes it. Any manufacturer in almost any nation can make a crowd tremble by telling them of the danger that will come to them if we allow the import of produce made by “pauper labor,” the term being applied to the

peoples of nations who work for less wages. The next point he never seems to see, namely, how can we pay this pauper nation for its produce? There is only one way. We must pay them with other produce, the output of our own industries. But the unfortunate point is that the man who is talking about the "pauper labor" may not be able to compete under free trade. It might make him change his industry.

It is perfectly true in any tariff country that there are industries that cannot survive the competition of some other countries. The chief capital stock in political trade of the man running such an industry is that pet term "pauper labor." The facts are that their produce may be more cheaply produced in some other country, and paid for by the export of some other kind of article from their own country—that local question again—this time the shift of prosperity from one industry to another in the same country—from a wasteful industry to a sound industry. But it gives a real and genuine fear to all those who are engaged in the industry that cannot compete.

The people of the United States, with wages at two to five dollars per day, cannot import goods from China, with wages at twenty cents a day, without exporting something to pay for it. It is a national enrichment for us to buy the produce of what some call pauper labor, because we get goods we need and use, pay for them in other goods that we have, and, therefore, the import of goods stimulates the export of goods.¹ If one will take the trouble to think nationally, he will see that there is no escape from that sentence. The facts are that while the world is struggling to think internationally in terms of peace and war, perhaps the chiefest block of all in the way of advancement is the inability of the average man in America and elsewhere to think even nationally on the matter of foreign trade. He still thinks personally. He does business personally. Yet the greatest problem of his life

¹The above statement, of course, needs the modification that these conditions may be temporarily suspended by international borrowing and lending. Thus for the period of the war the United States developed an unheard of export trade because we postponed the receiving of imports. We took promises to pay. We sent England and France billions of dollars' worth of war supplies and took in their place billions of dollars' worth of promises—bonds, promises to pay money—which they can only obtain by sending goods at some future time, and now France is lamenting that she doesn't see how she can pay her debts if we adopt prohibition and therefore refuse to take wine, long one of her chief exports.

requires that he shall suddenly think nationally and also internationally.

2. THE POLICY OF PROTECTION. The protective tariff has two reasons for being that are recognized by economists, and three reasons that are recognized by the average citizen of the United States.

(a) To start and protect an infant industry.

(b) To prepare for war by giving a nation a great variety of industries necessary to supply an army.

(c) To raise wages in the country having the protective tariff.

Let us examine them in order.

(a) *Infant Industry.* It is often necessary for an industry to receive aid during the period of its start in a new country, and protective tariffs have started many such industries. This need will arise in the future. Fortunately it can be met in a better way, namely, a cash bounty. Thus, if we import fifty million dollars' worth of product A, and put a 20 per cent tariff on it, we tax the users of that product ten million dollars at the point of import, and perhaps twenty million dollars by the time this tariff element of the cost has been passed on through the percentages of profits of importer, jobber, wholesaler, and retailer. Thus, the 20 per cent tariff on the fifty million dollars' worth of imported commodity A adds twenty million dollars to the cost of living in the United States, when perhaps a million dollars paid as bounty to the founders of the industry would enable them to develop it to full technical development, and enable it to compete with foreign countries. If it cannot permanently compete, why have it? It will always be an expense to the nation, making things at a greater cost than they can be bought elsewhere.

(b) *Preparation for War.* We may need an expensive and costly industry if we keep the concept of national war. If we are preparing for war, the protective tariff may perhaps be a part of the general policy, although the bounty system will generally be found less expensive and therefore more effective. But the League of Nations, if it is of any value at all, will remove this necessity for industrial completeness as a preparation for war. It proposes two very definite and very vital measures in this direction:

(1) One is the manufacture of munitions by government, so that the Krupps and other munition makers will remove their evil presence from the politics of nations and the foreign policy of nations. Thus private industry will not have to be depended on for munitions.

(2) Economic Aid in War. If the League of Nations succeeds at all, the free trade nation will be better off than the protective tariff nation because it will be richer, and, therefore, more able to buy munitions and war supplies from the other nations of the world, which will rush to its assistance. England in this past war was a fine example of this.

If, however, a nation is preparing to upset the league and wage war against it without the assistance of trade with other nations, the policy of industrial completeness, perhaps through a protective tariff, is clearly to be recommended. In fact, if I, a lover of peace, were advising such a nation, I should advise them to adopt the protective tariff rather than the bounty method, and they would, therefore, enter the contest in a weakened condition because of their relative poverty.

(c) *The Raising of Wages.* The idea that the protective tariff raises wages is a widespread belief of the personal, local mind, and doubtless one of the great menaces to world peace. It is a matter of record that wages in protected industries in the United States are often much lower than in others that are unprotected. Therefore, the wage argument must presumably be that wages in general will rise through protection. From the theoretic standpoint, to the person who will think nationally for a few minutes, it must seem plain that the nation producing the greatest amount of wealth day by day can pay the highest wages. It seems equally plain that if a protective tariff makes us grow bananas at home in greenhouses, we will have less for our labor than if we imported our bananas from Guatemala where they grow under the warm sun, and paid for them with wheat, corn and pork that we grow out of doors under such sun as we possess, and with machinery from our good factories. It is difficult to find anyone who objects to the above reasoning with regard to the banana. It is merely a strong case, of which every industry that cannot compete with foreign countries is merely another case in principle, although rarely in degree.

So much for the theoretic side of the relation of wages to tariff. Millions of men in America will point to the perfectly correct fact that we have in the United States a protective tariff and high wages. Therefore, says the local-minded man, the protective tariff has produced the high wages. Such men should send a commission to Portugal, a country which has a higher and more general tariff than the United States, and where men get fifty cents a day, American gold, and pay double our prices for bread, meat, clothes and machinery, and as a consequence a large proportion of the people live on cold corn bread and boiled cabbage, with rarely a taste of meat, and go half naked.

The great factor setting the wages of any country is the opportunity for production in that country—natural resources. In normal times it is true that free-trade England has slightly lower wages than protectionist America, but the cause of this difference is to be sought, not in tariff policy, but in natural opportunities per man in the two countries. In the United States we have about thirty people per square mile. England has six hundred. In this country we bore a hole in the ground and petroleum spurts out of it. England must import her oil. We go out into vast expanses of forest, produced by nature, cut down the most wonderful saw-logs to be found anywhere in the world. England had used up her forests in Shakespeare's time. We have the chief cotton fields of the world. England must import her cotton. We produce three-fourths of the world's copper. England must import her copper. We dig horizontal burrows into Pennsylvania hillsides and bring out hundreds of millions of tons of the best coal. England must dig deeper for poorer coal. We have vast wheat fields and the king of grains, corn, and a billion bushels of oats per year and the greatest herds of swine. England must import from us pork, oats, wheat, corn. Is it any wonder that her wages are a little lower? If she hedged herself around with a high tariff, she would be as hungry as Portugal. Instead, having a lower price level because of this free import of nearly everything, there is surprisingly little difference in real wages in England and America.

It is undoubtedly true that the transfer suddenly, or even gradually, to a free trade basis, would cause the decline and even disappearance of some industries in all tariff countries, including

the United States. This must always be an appalling thought to people engaged in those industries. Perhaps, with their special privilege, they should take the position of the drafted soldier who sacrifices for the public good. Perhaps people in such glass-house industries have a right to some reimbursement through their transfer to other industries by the coming of free trade. If so, it would be much better for us to contribute through taxes to a fund of billions for this purpose than to contribute our equal fund of billions, as we do every year in the United States, to the continuance of the impoverishing, war-breeding protective tariff.

The Chinese and Japanese are certainly not contented with their present exclusion from the United States. They are certainly not contented with tariffs that prevent them from getting the profits of trading with us. Certainly they will be better satisfied and the danger of war will be reduced if they can at least freely get the produce of the forbidden lands. In the end imports and exports balance. Let the Pacific ships take to their treeless plains the cargoes of lumber from our Western mountains, and of cotton from our Southern fields, and of machines from our Eastern factories. It will mean prosperity and wages in the lumber camps and the young forests, in the Southern cotton district, the Eastern mill town. And when in return the so-called "pauper" goods come back, let us remember that goods are good. They are the object of trade.

Most of our business men seem to ignore the well-known fact that our greatest trade is with manufacturing nations. England and Germany, the two nations with the most developed manufactures, had an enormous trade with each other before the war, and they were respectively our best market and our second best market. Together they took \$939,000,000 worth of produce, nearly half of our total export, while China still undeveloped, with twice as many people as England and Germany combined, took \$24,000,000 worth of goods from us. It is difficult to imagine how greatly our exports to China would jump if we could make the Chinese a manufacturing nation, raising their standards of living, their purchasing power, reducing their hours, persuading them to eat a great variety of food, use more soap, wear modern clothes, carry Ingersoll watches, listen to the phonograph, talk on the telephone, sleep in metal beds, get up in the morning by alarm clocks, and

run about in automobiles, meanwhile joining the Union and improving shop conditions.

While I have used the Chinese and Japanese as examples, because they are the most extreme, we have at the present moment a widespread demand for the checking of immigration from all countries, which means of course that we make half the world yearn to come to us and to resent this monopoly of American opportunity for the Americans. They, too, need to be mollified with American goods, if they cannot have American homes. Fortunately free trade with them will be profitable. Even if it were unprofitable, it would still be a duty just as we think a navy is a duty. It is indeed fortunate that so great a duty is also an avenue of profit rather than of loss.

3. THE PREFERENTIAL TARIFF. This is but another kind of protective tariff. For example, England and Canada make themselves into one tariff unit rather than two. There is no essential difference between these two kinds of tariff in their economic and political aspects. It is merely one of degree. It is not likely that this Canadian tariff would ever have been made but for the fearful injuries that have come to Canadian industry through the sudden shutting off of the American market by some of our tariff laws.

4. MAXIMUM AND MINIMUM TARIFFS. This device is merely one more detail in the general effort to get particular advantage through tariff legislation. It has no fundamental principle different from other tariffs, and, therefore, merits no particular discussion.

5. ANTI-DUMPING TARIFFS. One kind of tariff needs to remain, even in a free trade world with a League of Peace—the anti-dumping tariff. This is merely the international extension of a policy that has been already adopted in some of the American states. The evils to be remedied by such a law are of two kinds:

(a) *Demoralization of Trade.* A company like some huge American enterprise might supply the local market with plows, selling for twelve dollars each and costing six dollars. Some season it has a thousand plows left over. They cannot be sold in the home market without reducing the price to nine dollars and demoralizing the price. They could be sold in Portugal for nine dollars, with two dollars profit, and the sellers would have their

old markets undisturbed, but the Portuguese plow manufacturers would have a very dull season, and perhaps close their plants and throw people out of work. Therefore, some nations, especially Canada, probably because of her nearness to the United States, have made anti-dumping laws, which require that produce shall not be sold in Canada for less than the same produce sells in the home country. This is needed and it can scarcely be considered as a provoker of war.

(b) The second evil that such an anti-dumping law, properly enforced, would remedy, would be attempts to kill a young industry in a new country, as for example, German dye plants destroying the market of a new rival in some other country by selling dyes at less than cost until the rival gave it up. This is the old, and well-tried method by which the trusts have risen inside of many countries.

E. THE MOST FAVORED NATION CLAUSE

Many treaties contain a clause providing that the country making the treaty shall have the same advantages in trading with country B as country B shall at any time extend to country C, or any other country. In other words, the first country shall be treated under the same conditions as the most favored nation.

If there is free trade, the whole, most-favored-nation business, so far as trade is concerned, seems automatically to go by the board. It should go.

In conclusion it may be pointed out that an effective League of Nations offers three ways of greatly increasing the trade and wealth of the world:

First, by controlling and insuring international investments so that they may increase and become the basis of industry rather than the basis of dispute or parts of great military schemes.

Second, by the reduction of armaments and military service, men will be left free for education and industry.

Third, by removing the fear of war and the necessity of private industrial preparation for it, a successful league opens the way for the gradual adoption of free trade, which is alike a promoter of peace and a promoter of wealth.